

EXECUTION VERSION
Subject to FRE 408

TERM SHEET

This term sheet (the "Term Sheet") is entered into as of October 28th, 2014 (the "Effective Date") by and among Central Carillon Beach Condominium Association, Inc. a Florida corporation, not for profit ("Central Association"), and South Carillon Beach Condominium Association, Inc. a Florida corporation, not for profit ("South Association") and collectively with Central Association, the "Associations") and Z Capital Florida Resorts, LLC or its affiliate designee ("Z Capital") at Miami Beach, Florida.

RECITALS

Whereas the property described in this Term Sheet currently is owned by the Debtors in the case styled *FL 6801 Spirits LLC, et al.* bankruptcy cases (Case Nos. 14-11691-4) (SCC (Bankr. S.D.N.Y.; the "Bankruptcy Case"), and

Whereas Z Capital or its affiliate designee was named the successful bidder on August 21, 2014 for the Hotel Lot, Retail Lot, 13 condominium units and other assets pursuant to the auction conducted by subsidiaries of Lehman Brothers Holdings, Inc. (the "Property") and brings significant financial and operational resources to turn around the financial performance while elevating the service and experiential aspects of the property to the level of a true 5-star property, and

Whereas, after years of significant annual increases to their annual assessments the condominium unit owners of the Canyon Ranch Miami Beach (the "Unit Owners") and the Associations are seeking a level of certainty on their future assessments, and

Whereas, the Unit Owners in each Association purchased their Units on the Property expecting a certain lifestyle of health, wellness, casual comfort and amenities associated with the Canyon Ranch brand, and the Associations wish to retain Canyon Ranch as the hotel and spa operator, and

Whereas, after closing, Z Capital will be absorbing annual cash losses incurred by the Property due to years of prior mismanagement which Z Capital estimates will take at least two years to turn around, and Z Capital further believes that to mitigate the cash losses while enhancing the value of the Property, the sale of a small, limited number of exclusive, invitation-only spa memberships and will inure to the mutual benefit of the Unit Owners and Z Capital without affecting the character of the Property, and

Whereas Z Capital conducted financial due diligence of the Property but was not allowed access to the current operator, Canyon Ranch, to understand the details of its operations and therefore requires the time to understand the operations before committing to a long-term assessment solution.

Now, therefore, Z Capital and the Associations agree to proceed as follows:

Base Assessment and Assessment Cap	2015 and 2016 Assessment Increase (the " <u>Short-term Cap</u> ")
	<ol style="list-style-type: none"><li data-bbox="841 1535 1274 1633">1. Actual increase in real estate and personal property taxes, insurance and utilities over prior year, plus<li data-bbox="841 1671 1258 1703">2. Remaining expenses increased by CPI

EXECUTION VERSION
Subject to FRE 408

	<p>over prior year (in no event less than 2% nor greater than 5%)</p> <p>Assessment Increase for 2017 and thereafter during Z Capital ownership (The "<u>Long-term Cap</u>")</p> <ol style="list-style-type: none"> 1. Actual increase in real estate and personal property taxes, insurance and utilities over prior year, plus 2. Remaining expenses increased at the discretion of the Hotel Lot owner, which increase over prior year cannot be greater than CPI plus 10% in any single year. <p>Aforementioned amounts do not include assessments for capital improvements, Capital Reserves or other unforeseen, but necessary, special assessments which would be determined by Z Capital in consultation with the Associations.</p> <p>For the avoidance of doubt, the \$200 per month spa and food & beverage credit for Unit Owners will not be eliminated.</p>
Spa Memberships	<p>Z Capital will only sell spa memberships under the under the following conditions:</p> <ul style="list-style-type: none"> • Limited Number - 200 memberships (which equates to approximately 5% of the aggregate number spa access fobs currently outstanding). A limited number of guest passes would be permitted. • Unit Owner Selection Committee – A Committee of unit owners will be established to invite, review and extend offers for prospective spa members. • Black-out Dates – External members will not be allowed access during peak periods for the property which peak periods are (1) Thursday through Sunday of Art Basal Week and (2) December 16 through Jan 1 of each year. • Restricted Access – External members will be allowed access to the spa, restaurant, beach and the spa & health

EXECUTION VERSION
Subject to FRE 408

	<p>club outside pool.</p> <ul style="list-style-type: none"> Annual Fee – to be determined by Z Capital and will market memberships in such a way to maximize annual fee with a target of greater than \$10,000 per year but in any event, no less than \$7,500 per year.
Hotel Operator	A joint venture created among Adrian Zecha, Jonathan Breene and Z Capital, to be led by Tom Wicky.
Spa Operator	<p>Z Capital will make good faith efforts to negotiate with Canyon Ranch to remain in the spa only and further provided that Z Capital can reach agreement on economic and operational terms, Z Capital will agree to have Canyon Ranch remain the spa operator for an initial period of 2 years, which may be extended by the mutual consent of Canyon Ranch and Z Capital.</p> <p>Otherwise the Zecha / Breene / Z Capital joint venture will operate the spa, or choose a third party operator at its sole discretion, and continue to provide spa services, health and wellness offerings, and fitness classes consistent with previous offerings.</p>
Capital Reserves	<p>Following the closing of its acquisition of the Property, Z Capital will use commercially reasonable efforts to have a Capital Reserve study performed by an engineering firm reasonably acceptable to the Associations. The cost of the Capital Reserve study will be funded by the Associations. Z Capital will use commercially reasonable efforts to segregate Capital Reserves that are to be fully funded by Z Capital from those Capital Reserves that are to be jointly funded by Z Capital and the Associations. Such Capital Reserve accounts shall be held in a federally insured depository institution. Capital reserve funds and any interest accruing thereon shall remain in the capital reserve accounts and shall be used only for authorized capital reserve expenditures unless their use for other purposes is approved in advance by the applicable Association or for the nonretail shared facilities by two of the Associations. Catch-up</p>

EXECUTION VERSION
Subject to FRE 408

	contributions for the years 2007 – 2014 would be payable in equal installments collected over the remaining useful life of each component and would be included in the 2015 and subsequent Budgets, so that there would be sufficient funds to replace the component by the end of its useful life.
Capital Investment in Property	<p>To the extent a sale to Z Capital is implemented in a manner which provides for a reduction in total consideration paid to Lehman Brothers Holdings, Inc. relative to the current Z Capital Purchase and Sale agreement, Z Capital agrees to apply the first \$3.5 million of the difference in total consideration to a reserve for capital improvements to the property. The remainder of the difference will be rebated to Unit Owners.</p> <p>For purposes of clarity – total consideration includes, but is not limited, to cash, value of retained residential units, reserves, credits etc.</p>
Unit Owners Litigation	The Associations will dismiss with prejudice their pending lawsuits against the current Hotel Lot Owner (the "Lawsuits"). The homeowners associations waive the right to make any claim in a lawsuit or other proceeding relating to assessments (i.e. claims based upon the subject matter of the claims asserted in the Lawsuits) arising within the period that the Short-term Cap or Long-term Cap contemplated herein is in effect.
Parking	<p>Until the operator can assess parking capacity utilization to optimize a long-term solution for residents and guests alike, Z Capital will agree to the following temporary arrangement that will be in effect for 2015 and 2016. However, at the end of 2015 the number of available parking spaces for lease may be adjusted (down or up) based on utilization and statutory requirements.</p> <ul style="list-style-type: none"> • Parking spaces available for lease – 200 • Annual Lease Program - \$175/ Month • Seasonal Lease Program (Nov thru Apr) - \$200/Month • Z Capital will evaluate guest daily and overnight parking rates and discounts relative to comparable properties and

EXECUTION VERSION
Subject to FRE 408

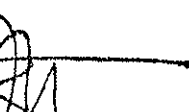
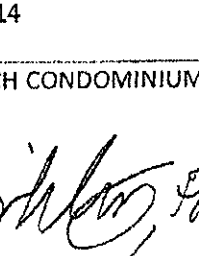
	adjust accordingly.
Standards	The Hotel Lot and the exteriors and interiors of the North Tower and the South Tower will be operated to a level of service equivalent or comparable to the Aqualina in Sunny Isles Beach, St. Regis in Bal Harbour and the Ritz-Carlton in Ft. Lauderdale, all in Florida (the "Operating Standards").
Rental Program Agreements	As purchaser of the Property, Z Capital seeks to maximize Unit Owner participation in the rental program agreements. As such, pursuant to its Purchase and Sale Agreement with the Debtor, Z Capital will assume all rental program agreements in effect as of the closing date. Z Capital will work in good faith to maintain and / or improve the rental program agreements for all stakeholders.

The foregoing terms and conditions are subject to and conditioned on the support of the Debtor and approval by the Court in the Bankruptcy Case. The terms and conditions are also subject to receipt of agreement from the North Tower Condominium Association to be bound by all of the terms in this term sheet; provided however that this condition may be waived in Z Capital's sole discretion. Finally, Z Capital shall have the right to either proceed as a successful bidder by auction or to incorporate the foregoing terms and conditions into a Plan in Z Capital's reasonable discretion.

THIS TERM SHEET AND THE TRANSACTIONS CONTEMPLATED HEREIN ARE PART OF A PROPOSED SETTLEMENT OF DISPUTES AMONG THE PARTIES HERETO. NOTHING HEREIN SHALL BE DEEMED AN ADMISSION OF ANY KIND. THE TERM SHEET IS NOT A SOLICITATION OF ACCEPTANCE AND REJECTIONS WITH RESPECT TO ANY CHAPTER 11 PLAN. ANY SUCH SOLICITATIONS WILL COMPLY WITH THE APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE.

EXECUTION VERSION
Subject to FRE 408

IN WITNESS WHEREOF, the parties have executed this Term Sheet the date and year first written above.

Dated: October 28, 2014	Dated: October 28, 2014
Z CAPITAL FLORIDA RESORTS LLC	NORTH CARILLON BEACH CONDOMINIUM ASSOCIATION, INC.
By: 	By:
Dated: October 28, 2014	Dated: October 28, 2014
CENTRAL CARILLON BEACH CONDOMINIUM ASSOCIATION, INC.	SOUTH CARILLON BEACH CONDOMINIUM ASSOCIATION, INC.
By:	By: 
	W. H. Hoberg, Pres.

Oct 28 14 09:21a

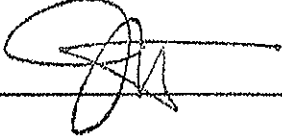

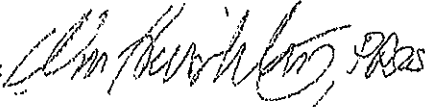
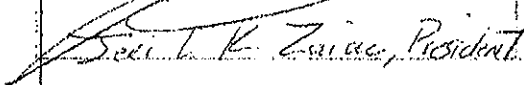
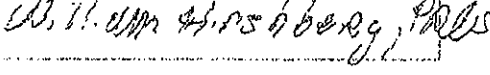
Zaiao

3057565135

p.1

EXECUTION VERSION
Subject to FRE 408

IN WITNESS WHEREOF, the parties have executed this Term Sheet the date and year first
written above.

Dated: October 28, 2014	Dated: October 28, 2014
Z CAPITAL FLORIDA RESORTS LLC	NORTH CARILLON BEACH CONDOMINIUM ASSOCIATION, INC.
By: 	By:
Dated: October 28, 2014	Dated: October 28, 2014
CENTRAL CARILLON BEACH CONDOMINIUM ASSOCIATION, INC.	SOUTH CARILLON BEACH CONDOMINIUM ASSOCIATION, INC.
By: 	By: 
 Scott K. Zaiao, President	 William H. Hoberg, Pres